

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7466

BILL NUMBER: HB 1337

NOTE PREPARED: Feb 22, 2013

BILL AMENDED: Feb 21, 2013

SUBJECT: School Accountability and Turnaround Academies.

FIRST AUTHOR: Rep. Behning

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill does the following.

Academic Growth - This bill provides that academic growth is the primary measure of assessing school performance.

Turnaround Academies - The bill requires the State Board of Education (State Board) to set specific goals for a turnaround academy, and allows the turnaround academy to be operated by a special management team. It provides that a turnaround academy that meets the goals set for it may either be returned to the control of its school corporation or become an independent school. The bill also sets forth provisions concerning the operation of a turnaround academy and an independent school.

School Expenditures - The bill requires the State Board to have performed an annual analysis showing how school corporation spending correlates to student progress, and requires the Department of Education to include a copy of the annual analysis on the Department's Internet web site.

Performance Consequences - The bill sets forth consequences for schools that are in the two lowest categories or designations of school performance.

Fiscally Insolvent School Corporations - The bill provides that a school corporation may be declared fiscally insolvent and placed into receivership.

High Performing Schools - The bill creates a designation of "high-performing school corporation", and provides that certain statutes and rules may be waived for a high-performing school corporation.

Waivers: The bill provides that a waiver of the requirements for graduation for a student must be approved by the State Board.

Repealer - The bill repeals provisions concerning::

1. Graduation standards in effect before July 1, 2010;
2. A parent's request to exempt a student from Core 40 requirements;
3. A student not passing at least three Core 40 courses;
4. A student scoring within the twenty-fifth percentile or lower on a graduation examination; and
5. A student whose parent does not attend a meeting with the student and a counselor.

Commission on Education: The bill establishes the Select Commission on Education to study the feasibility of establishing consequences for low-performing school corporations.

The bill also makes conforming amendments.

Effective Date: July 1, 2013.

Explanation of State Expenditures: *Academic Growth* - Requiring academic growth to be the primary measure of assessing school performance should have only a minor fiscal impact to the State Board and Department of Education (DOE). Academic growth is currently one of the measures used to evaluate school performance.

Turnaround Academies - The bill requires the State Board to set annual goals for a turnaround academy that include:

1. Academic goals, including raising the school's performance category by at least two levels.
2. Attendance goals for teachers and students.
3. Goals to increase measures used to determine placement in a school performance category.
4. Financial management goals.
5. Other goals.

The State Board must also identify consequences for failing to meet the goals and may require a performance bond of a special management team that operates a turnaround academy. To monitor the progress being made by a turnaround academy in annually attaining the stated goals, the State Board is to have the DOE, another state agency, or a research institute analyze data and information relating to each turnaround academy's attainment of annual performance goals. The studies could probably cost about \$20,000 annually.

The bill clarifies the relationship between a turnaround academy or a lead partner and the State Board by specifying elements to the contract. The contract with a turnaround academy would include:

1. The length of the contract.
2. The level of services provided.
3. The entity responsible for providing necessary services to the school and students in the school.
4. Any other provisions the parties might consider necessary.

The contract with a lead partner also would include:

1. The length of the contract.
2. Consideration.
3. Performance goals.
4. Cancellation procedures.
5. Renewal procedures.
6. Any other provisions the parties might consider necessary.

These provisions should have no fiscal impact.

The bill also clarifies that a school corporation which previously operated a school that has become a turnaround academy is responsible for providing funding to the turnaround academy for transportation of students. The turnaround academy must decide if the school corporation is to provide services or resources to the turnaround academy for the maintenance and repair of buildings. The maintenance and repair expenditures for the turnaround academy are probably about the same as what the school corporation would have had if they had continued to operate the school, so there should be no fiscal impact.

School Expenditures - The fiscal impact of performing an annual analysis showing how school corporation spending correlates to student progress and posting on the DOE's website should be minor. The DOE already collects school expenditure and student progress information annually. Any additional cost could be attributable to the data analysis.

(Revised) Performance Consequences - The bill changes the performance consequences schedule for schools. Beginning with the 2015-16 school year, if a school is in the lowest *two performance categories* for *six consecutive years* or the *lowest category* for *three consecutive years*, then the State Board may take the following actions:

1. Merge the school with a nearby school that is in a higher performance category.
2. Assign a special management team to operate all or part of the school.
3. Implement the DOE's recommendations for improving the school.
4. Close the school.
5. Implement other options for school intervention.
6. Close the school and reopen it as a charter school.

Currently, a school has to be in the *lowest* performance category for *five consecutive years* to be subject to the performance consequences. The bill would increase the number of schools subject to the performance consequences in the future. There are currently about seven schools subject to the performance consequences. The bill could also result in an indeterminable increase in the workload of the DOE.

Fiscally Insolvent School Corporations - The bill also establishes criteria under which the State Board may categorize school corporations as fiscally insolvent. The State Board is also to appoint a receiver for the school corporation.

The actions the receiver could take include:

1. Shifting resources.
2. Changing or removing staff.
3. Establishing a new educational plan.
4. Contracting for the management of the corporation or school in the corporation.
5. Canceling, modifying, or renegotiating existing contracts.

6. Modifying the grade configuration of schools.
7. Converting any school to a charter school.
8. Closing any school.
9. Any other management, personnel, or policy changes to raise performance.

The costs associated with the receiver's action would have to be done with the school corporation's current resources. It is unknown how many school corporations would be categorized as fiscally insolvent.

Graduation Waivers: The requirement that the State Board approve each graduation waiver for a student that does not get a passing score on the graduation exam could increase the workload of the State Board and the Department. For the 2010-11 school year, about 16.4% of graduates, or 10,500 students, used a graduation waiver. The State Board might have to approve approximately 10,500 graduation waivers per year. The State Board could probably approve the waivers in large groups based on recommendations by the Department. If waiver approval process took about 1/4th of a staff person's time, the cost would be about \$23,000 annually.

Commission on Education: This bill establishes the Select Commission on Education, consisting of the members of the Senate Education and Career Development Committee and the House Education Committee. The commission is to study and evaluate the feasibility of establishing consequences for school corporations that are in the lowest two performance categories. The commission is to submit a final report to the Legislative Council by December 1, 2013. The impact would probably be about \$16,500.

Explanation of State Revenues:

Explanation of Local Expenditures: *Academic Growth* - Requiring academic growth to be the primary measure of assessing school performance should have only minor fiscal impact on schools. Academic growth is currently one of the major measures of school performance.

Turnaround Academies -The clarification in the responsibilities and property of school corporations and turnaround academies should simplify the transfer of a school from a school corporation to a turnaround academy.

(Revised) The bill also clarifies that the money withheld from a charter school can not exceed the total per pupil funding attributable to the students counted in the fall ADM count after the turnaround academy takes over operation of the school. If the Department has to make an adjustment in funding, it can be done over a 6-month period.

The provisions in the bill relating to the conversion of a turnaround academy to an independent school deal with the creation of the new school board, admission policies, and the operation of the independent school. The turnaround academy can also be returned to the school corporation. The provision should have no fiscal impact since the provisions are the same for other schools.

Performance Consequences - See *Explanation of State Expenditures*.

High-Performing Schools - The bill allows high-performing school corporations to have the following statutes waived by the State Board:

1. Length of student instructional days.
2. Minimum number of student instructional days.

3. Penalty for failure to conduct minimum number of student instructional days.
4. Minimum length of school term.
5. Application requirements for community or volunteer credits.
6. Strategic and continuous school improvement and achievement plan.

A high-achieving school corporation is defined as a corporation that for at least two consecutive school years was in the highest performance category and each school in the corporation was also in the two highest performance categories. Approximately 34 school corporations have had every school in their corporation in the two highest categories for the last two years. The bill could reduce school administrative and program costs for high-performing schools. The amount of the savings is unknown.

Graduation Waivers - The school would have to submit requests for graduation waivers to the State Board. The bill could increase the time needed for a waiver to be approved, but the cost to the school would be minor.

Repealers - The bill repeals various meetings that the school counselor is required to have with the student and the student's parent concerning the benefits of a general diploma or a Core 40 diploma. The bill could have minor savings to schools.

Explanation of Local Revenues:

State Agencies Affected: State Board of Education, Department of Education.

Local Agencies Affected: Public schools.

Information Sources: Department of Education databases.

Fiscal Analyst: Chuck Mayfield, 317-232-4825; David Lusan, 317-232-9592.